

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**Division of Housing Policy Development**

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November 29, 2004

Mr. Bill Reeds, Director
Development and Engineering Services
City of Tracy
520 North Tracy Boulevard
Tracy, CA 95376

Dear Mr. Reeds:

RE: Review of the City of Tracy's Revised Draft Housing Element

Thank you for submitting revisions to Tracy's draft housing element, received for review on September 30, 2004, along with supplemental revisions received on November 24, 2004. As you know, the Department is required to review draft housing elements and report the findings to the locality pursuant to Government Code Section 65585(b). The Department has also received and considered third party comments from the Building Industry Association of the Delta, pursuant to Government Code Section 65585(c). Telephone conversations during November 2004 with Messrs. Alan Bell, Senior Planner, and Matthew Gerken, the City's consultant, facilitated the review.

The revisions to the draft element now address the majority of the statutory requirements described in the Department's previous reviews. The Department commends the City for strengthening its program action to compensate for a shortfall of multifamily zoned sites by committing to rezone 72 acres to designations that allow 25 dwelling units per acre (Program 1.1). However, as discussed with Mr. Bell, the following revision is still needed for the element to comply with State housing element law (Article 10.6 of the Government Code):

A. Housing Programs

Include program actions to address and, where appropriate and legally possible, remove governmental constraints to the maintenance, improvement, and development of housing for all income levels (Section 65583(c)(3)).

Program 2.1: As described in the August 13, 2004 review, the City's Growth Management Ordinance (GMO) poses a significant residential development constraint. To address the impacts of the GMO provisions on the approval and development of housing, Program 2.1 proposes to remove the Residential Growth Allotment (RGA) limit for affordable units (i.e., very low-, low-, and moderate-income). However, the element does not demonstrate that these exemptions alone can facilitate sufficient affordable development commensurate with the City's regional housing need. For example, to qualify for an exemption, 100 percent of the units in a project must be affordable, with at least 12.5 percent affordable to lower income households and the balance affordable to moderate income households. This would preclude

mixed income projects (such as a State density bonus project) from qualifying for the exemption. Although this program also includes an action to extend the infill exemption provisions until 2009, the annual issuance of RGAs for non-affordable units is limited to 100 “priority infill” units.

According to the element, the number of newly permitted and/or constructed units exceeds the City’s 2003-2009 regional share allocation for above-moderate income households. As you may know, the regional housing need allocation only represents the minimum need for additional housing during the planning period, and is not intended to represent a cap. The strong demand for additional “market rate” housing in the City of Tracy will without question continue. We understand the proposed 100 unit “priority infill” exemption is calibrated to ensure the annual average RGA does not exceed 600 units through 2012. However, the element should demonstrate the imposition of such a sharp decrease in the number of RGAs allowed for non-affordable units will not result in significant increases in housing costs as a result of the limited supply (see the August 13, 2004 review).

As a result, to effectively address this constraint, Program 2.1 must be expanded to include specific actions to further mitigate the impacts of the Growth Management Ordinance including the 100 unit annual RGA limitation. For example, these actions should include increasing the annual allocation for non-affordable projects and allowing all units within a mixed income project (such as a project qualifying for a state density bonus) to qualify for exemption from the RGA. The City could also consider expanding the exemption provisions to include all multifamily rental projects. We would be happy to meet to discuss these or other options for complying with the statutory requirements.

Once the City amends the draft element to address the aforementioned statutory requirement, the element will be in compliance with State housing element law (Article 10.6 of Government Code).

The Department hopes our comments are helpful and would be glad to assist Tracy in addressing the above requirements. If you would like to schedule another meeting in Tracy or Sacramento or have any questions or concerns, please contact Don Thomas, of our staff, at (916) 445-5854.

In accordance with their requests pursuant to the Public Records Act, we are forwarding a copy of this letter to the individuals listed below.

Sincerely,



Cathy E. Creswell
Deputy Director

Mr. Bill Reeds, Director

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cc: Alan Bell, Senior Planner, City of Tracy
Matthew Gerken, Consultant, Cotton/Bridges/Associates
Kevin Sharrar, Executive Director, Building Industry Association of the Delta
Celeste Garamendi, TRAQC
Craig Castellanet, Public Interest Law Project
Mark Stivers, Senate Committee on Housing & Community Development
Suzanne Ambrose, Supervising Deputy Attorney General, AG's Office
Terry Roberts, Governor's Office of Planning and Research
Nick Cammarota, California Building Industry Association
Marcia Salkin, California Association of Realtors
Marc Brown, California Rural Legal Assistance Foundation
Rob Weiner, California Coalition for Rural Housing
John Douglas, AICP, Civic Solutions
Deanna Kitamura, Western Center on Law and Poverty
S. Lynn Martinez, Western Center on Law and Poverty
Alexander Abbe, Law Firm of Richards, Watson & Gershon
Michael G. Colantuono, Colantuono, Levin & Rozell, APC
Ilene J. Jacobs, California Rural Legal Assistance, Inc.
Richard Marcantonio, Public Advocates
Ted Kreines, Kreines & Kreines